

Tennessee Student Assistance Corporation  
Tennessee Education Lottery Scholarship Program

Presentation to

State Funding Board  
May 3, 2006

Current Program (2005-06)

- \$3,300 HOPE Scholarship to entering college students with ACT of 21+ or unweighted high school GPA of 3.0+ (\$1,650 at 2-year colleges)
- \$1,500 supplemental “Aspire” award to low-income students (AGI<\$36,000)
- \$1,000 supplemental “GAMS” award to high-achieving students (ACT of 29+ and high school weighted GPA of 3.75+)
- \$2,400 HOPE Access Grant to low-income (AGI<\$36,000) entering college students who do not qualify for HOPE but who have an ACT of 18+ and an unweighted high school GPA of 2.75+ (\$1,575 at 2-year colleges)
- \$1,300 Wilder-Naifeh Technical Skills Grant to all Tennessee residents at Tennessee Technology Centers (no income or academic restrictions)
- \$600 Dual Enrollment Grant to high school students achieving a 2.75+ GPA in dual enrollment (high school and college) coursework
- Hope Foster Care Grant is awarded to students who are HOPE Scholarship recipients and are certified eligible based on regulations associated with this program by the Dept. of Children Services. The Grant is the value of the student’s remaining cost after applying the HOPE or HOPE Access and other types of financial aid towards the cost of attendance.

Next Year’s Program (2006-07)

- The first group of non-traditional students will begin receiving awards.
- The General Assembly is considering proposals to increase award amounts, extend eligibility to students attending proprietary schools, provide awards to math and science teachers attending graduate school, and serve larger numbers of non-traditional students.

### Activity Level

<u>Year</u>	<u>Students</u>	<u>\$</u>	<u>Eligible</u>	<u>Data Source</u>
2004-05	40,000	\$ 93 million	Frosh/Soph	Actual
2005-06	56,000	\$137 million	Frosh/Soph/Jr	TSAC Estimate
2006-07	62,000	\$179 million	Frosh/Soph/Jr/Sr	THEC Estimate
2007-08	71,000	\$213 million	Frosh/Soph/Jr/Sr/Sr5	THEC Estimate
2008-09	81,000	\$240 million	Frosh/Soph/Jr/Sr/Sr5	THEC Estimate

Additional details are provided in Attachment 1.

### Tennessee Education Lottery Reserve Account

In its early years, lottery expenditures for education have fallen far short of available lottery revenue. That reflects the fact that in year one, only college freshmen and sophomores were eligible for the HOPE Scholarship. College juniors were added in year two, and seniors in year three.

Until expenditures reach steady-state levels, expenditures will continue to lag revenue, and year-end surpluses will be added to the Tennessee Education Lottery Reserve Account. Half-way through the current (2005-06) fiscal year, this reserve had reached a level of \$252.8 million. This is in addition to \$50 million maintained in a general shortfall reserve. (Attachment 2)

The large amount of money in this reserve has probably fueled some of the current interest in expanding the Lottery Scholarship Program. Because the reserve is “one-time” money, caution should be exercised before using it to fund recurring expenditures. The Tennessee Higher Education Commission, in conjunction with leadership from the higher education community, has proposed keeping the corpus of the reserve intact and using each year’s interest income to expand the need-based Aspire supplement to the HOPE Scholarship.

### Operational Challenge

The chief operational challenge faced by the Tennessee Education Lottery Scholarship Program is managing change. As noted previously, the 2006 General Assembly has proposed a number of changes to the lottery scholarship program which would be effective in the 2006-07 year. However, as of April 17, 2006, \$117 million has already been awarded to 36,000 students under existing program rules for the 2006-07 year. If changes are legislated for 2006-07, re-awarding these 36,000 students will be a challenging task for both TSAC and the universities, and may lead to confusion and delays for many students.

TSAC and the leadership of the Tennessee Association of Student Financial Aid Administrators have recommended that new legislation should always apply to the following year’s financial aid applications, rather than the applications which are currently underway.

**Tennessee Education Lottery Scholarship Program  
Summary Report  
4/17/2006**

**Attachment 1**  
(Revised 5-4-06)

	2004-2005 Actual Recipients		2005-2006 Eligible through 4/17/06		2006-2007 Eligible through 4/17/06	
	Students	\$	Students	\$	Students	\$
<u>HOPE (With GAMS and ASPIRE)</u>						
Independent / Four-Years	5,318	\$16,715,547	7,091	\$23,965,619	7,404	\$28,278,050
Independent / Two-Years	110	182,750	76	128,663	60	127,500
Private/Business Trade	0	0	46	138,800	33	124,400
Board of Regents / Four-Years	11,261	34,715,484	14,420	49,818,091	10,640	40,604,700
University of Tennessee System	8,041	24,724,303	11,396	37,645,983	9,037	33,901,600
State Tech/Community Colleges	6,572	10,312,105	6,958	12,456,730	3,169	7,144,525
<b>TOTAL</b>	<b>31,302</b>	<b>\$86,650,189</b>	<b>39,987</b>	<b>\$124,153,886</b>	<b>30,343</b>	<b>\$110,180,775</b>
<u>HOPE Foster Care Grant</u>						
Board of Regents / Four-Years	0	\$0	16	\$47,062	0	\$0
University of Tennessee System	0	0	6	16,970	0	0
State Tech/Community Colleges	0	0	8	19,536	0	0
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>30</b>	<b>\$83,568</b>	<b>0</b>	<b>\$0</b>
<u>HOPE Access Grant</u>						
Independent / Four-Years	12	\$21,000	25	\$49,200	8	\$19,200
Independent / Two-Years	1	1,250	1	788	2	3,150
Private/Business Trade	0	0	0	0	0	0
Board of Regents / Four-Years	37	61,000	123	255,300	24	57,600
University of Tennessee System	16	24,779	48	96,322	9	21,600
State Tech/Community Colleges	42	44,531	65	79,151	17	26,775
<b>TOTAL</b>	<b>108</b>	<b>\$152,560</b>	<b>262</b>	<b>\$480,761</b>	<b>60</b>	<b>\$128,325</b>
<u>Wilder-Naifeh Technical Skills</u>	<b>8,815</b>	<b>\$6,613,273</b>	<b>8,974</b>	<b>\$6,440,646</b>	<b>5,173</b>	<b>\$6,672,450</b>
<u>Dual Enrollment Grant</u>						
Independent / Four-Years	0	\$0	331	\$128,100	0	\$0
Independent / Two-Years	0	0	52	24,010	0	0
Private/Business Trade	0	0	0	0	0	0
Board of Regents / Four-Years	0	0	80	39,157	0	0
University of Tennessee System	0	0	356	113,400	0	0
State Tech/Community Colleges	0	0	3,424	1,169,819	0	0
Technology Centers	0	0	511	170,250	0	0
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>4,754</b>	<b>\$1,644,736</b>	<b>0</b>	<b>\$0</b>
<u>ALL PROGRAMS</u>						
Independent / Four-Years	5,330	\$16,736,547	7,447	24,142,919	7,412	\$28,297,250
Independent / Two-Years	111	184,000	129	153,461	62	130,650
Private/Business Trade	0	0	46	138,800	33	124,400
Board of Regents / Four-Years	11,298	34,776,484	14,639	50,159,610	10,664	40,662,300
University of Tennessee System	8,057	24,749,082	11,806	37,872,675	9,046	33,923,200
State Tech/Community Colleges	6,614	10,356,636	10,455	13,725,236	3,186	7,171,300
Technology Centers	8,815	6,613,273	9,485	6,610,896	5,173	6,672,450
<b>GRAND TOTAL</b>	<b>40,225</b>	<b>\$93,416,022</b>	<b>\$54,007</b>	<b>\$132,803,597</b>	<b>35,576</b>	<b>\$116,981,550</b>

\* TSAC Forecast (April, 2006)

**56,024 \$137,159,482**

\* THEC Forecast (March, 2006)

**62,417 \$178,927,442**

*Tennessee Education Lottery Reserve Accounts*  
*Unaudited Schedule of Revenues, Expenditures, and Changes in Fund Balance (Note 1)*  
*For the Fiscal Year Ended June 30, 2006 with Comparative Totals for Previous Years*  
*(As of January 31, 2006)*

**Attachment 2**

<i>For the Fiscal Year Ended June 30, 2006</i>							
<i>Lottery for</i>			<i>Programs</i>			<i>For the</i>	<i>For the</i>
<i>Education</i>	<i>General</i>		<i>Special</i>			<i>Fiscal Year</i>	<i>Fiscal Year</i>
<i>Account</i>	<i>Shortfall</i>	<i>Special</i>	<i>Account</i>			<i>Ended</i>	<i>Ended</i>
<i>Reserve</i>	<i>Reserve</i>	<i>Reserve</i>	<i>Reserve</i>	<i>Total</i>		<i>June 30, 2005</i>	<i>June 30, 2004</i>
<b>REVENUES:</b>							
<i>Net Lottery Proceeds:</i>							
<i>First Quarter</i>	55,028,160	-	555,840	-	55,584,000	51,314,000	
<i>Second Quarter</i>	71,501,760	-	722,240	-	72,224,000	57,219,000	
<i>Third Quarter</i>	-	-	-	-	-	50,000,000	63,774,000
<i>Fourth Quarter</i>	-	-	-	-	-	68,890,000	59,497,000
<i>Subtotal Net Lottery Proceeds (Note 2)</i>	126,529,920	-	1,278,080	-	127,808,000	227,423,000	123,271,000
<i>Unclaimed Prize \$ After School Pgms (Note 3)</i>	-	-	-	-	-	6,872,000	2,049,000
<i>Interest Earnings:</i>							
<i>First Quarter</i>	1,970,351	-	29,458	59,131	2,058,940	369,284	
<i>Second Quarter (earned through 11-30-05)</i>	1,487,827	-	25,203	56,177	1,569,207	367,157	
<i>Third Quarter</i>	-	-	-	-	-	751,639	
<i>Fourth Quarter</i>	-	-	-	-	-	1,680,613	146,595
<i>Subtotal Interest Earnings</i>	3,458,178	-	54,660	115,307	3,628,146	3,168,692	146,595
<i>Total Revenues</i>	129,988,098	-	1,332,740	115,307	131,436,146	237,463,692	125,466,595
<b>EXPENDITURES:</b>							
<i>Scholarships (Note 4)</i>							
<i>First Quarter</i>	47,162,949				47,162,949	29,081,287	
<i>Second Quarter</i>	22,501,717				22,501,717	18,336,152	
<i>Third Quarter (as of 1-31-06)</i>	3,426,342				3,426,342	43,171,389	
<i>Fourth Quarter</i>	-				-	2,873,725	-
<i>Subtotal Scholarships</i>	73,091,008				73,091,008	93,462,552	-
<i>Administrative Cost</i>							
<i>First Quarter</i>	74,117				74,117	-	
<i>Second Quarter</i>	1,340,899				1,340,899	144,477	
<i>Third Quarter (as of 1-31-06)</i>	80,725				80,725	443,627	
<i>Fourth Quarter</i>	-				-	3,671,511	1,135,879
<i>Subtotal Administrative Cost</i>	1,495,741				1,495,741	4,259,614	1,135,879
<i>Pre-K Activities as of 1-31-06 (Note 5)</i>	4,116,026				4,116,026	-	
<i>After School Pgms Special Acct (as of 1-31-06)</i>	-			448,292	448,292	-	
<i>Total Expenditures</i>	78,702,775	-	-	448,292	79,151,067	97,722,167	1,135,879
<b>FUND BALANCE:</b>							
<i>Beginning Fund Balance</i>	201,557,780	50,000,000	3,552,811	8,961,650	264,072,241	124,330,715	-
<i>Revenues</i>	129,988,098	-	1,332,740	115,307	131,436,146	237,463,692	125,466,595
<i>Expenditures</i>	(78,702,775)	-	-	(448,292)	(79,151,067)	(97,722,167)	(1,135,879)
<i>Ending Fund Balance</i>	252,843,103	50,000,000	4,885,551	8,628,665	316,357,319	264,072,241	124,330,715

Note 1: This report is a reformatted version of a report prepared by the Tennessee Department of Finance and Administration

Note 2: Net lottery proceeds allocated 99% Lottery for Education Account and 1% Special Reserve

Note 3: These funds are received once a year at year-end.

Note 4: The amount of expenditures has been reduced for refunds collected of prior year scholarship expenditures.

Note 5: This reflects the amount billed to the Lottery for Education Account in January for July-December expenditures.